

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Nora Mead Brownell, and Suedeem G. Kelly.

Columbia Gas Transmission Corporation Docket No. RP06-365-000

Norstar Operating, LLC v. Columbia Gas  
Transmission Corporation

Docket No. RP06-231-002

## ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS AND ESTABLISHING TECHNICAL CONFERENCE

(Issued June 21, 2006)

1. On May 22, 2006, in response to the Commission's April 21, 2006 Order in *Norstar Operating, LLC v. Columbia Gas Transmission Corporation*,<sup>1</sup> Columbia Gas Transmission Corporation (Columbia) submitted two filings. In Docket No. RP06-231-002, Columbia revised section 25.5(e) of its General Terms and Conditions (GT&C) in response to the Commission's Natural Gas Act (NGA) section 5 finding in the April 21, 2006 Order that section 25.5(e) was too broad and vague and gave Columbia too much discretion to vary its gas quality standards. In Docket No. RP06-365-000, Columbia submitted revised tariff sheets<sup>2</sup> pursuant to NGA section 4 proposing to incorporate in its tariff gas quality specifications that had been included in its meter set agreements (MSAs). The filing was in response to the Commission's finding in the April 21, 2006 Order that Columbia could not impose what are, in effect, permanent gas quality standards without including those standards in its tariff. The proposed effective date for the revised tariff sheets is June 22, 2006. For the reasons discussed below, the Commission accepts and suspends the tariff sheets filed in

<sup>1</sup> 115 FERC ¶ 61,094 (2006).

<sup>2</sup> Fourth Revised Sheet No. 406 and Third Revised Sheet No. 407 to Columbia's FERC Gas Tariff, Second Revised Volume No. 1.

Docket No. RP06-365-000, to become effective the earlier of a date set by subsequent Commission order or November 22, 2006, and establishes a technical conference to address the issues raised in both filings. The Commission will also defer consideration of Columbia's compliance filing in Docket No. RP06-231-002 pending further consideration following the technical conference.

### **Background**

2. On February 22, 2006, Norstar Operating, LLC (Norstar) filed a complaint against Columbia alleging that Columbia violated its tariff and the NGA by refusing to accept deliveries of natural gas based on gas quality specifications not set forth in Columbia's tariff. Norstar operates a new oil well in Ohio that is estimated to produce between 100 Mcf/d and 2,000 Mcf/d of casinghead gas. Norstar stated that Columbia is the only interstate pipeline close to its well and it wants to use it to connect to the interstate pipeline grid. Norstar stated that it requested an interconnect with Columbia for which it would pay for the cost of the meter and pipeline connection. Norstar asserted that it met all the gas quality specifications in section 25 of Columbia's tariff but that Columbia rejected Norstar's gas on the ground that it did not satisfy a 4 percent nitrogen limitation set forth in Columbia's MSA, which was not part of its tariff or on file with the Commission. Norstar requested that the Commission direct Columbia to cease and desist from imposing gas quality specifications not in its tariff and to interconnect with and accept gas from its well.

3. On April 21, 2006, the Commission issued an order on Norstar's complaint. At issue was section 25.5(e) of Columbia's tariff which gave Columbia the authority to include gas quality specifications, in addition to those listed in the tariff, in agreements with shippers, producers, or other parties if those restrictions are necessary to prevent injury to Columbia or interfere with gas merchantability. The Commission found that Columbia has the authority in section 25.5(e) to impose additional gas quality specifications and to reflect such specifications in its executed MSAs. However, as it did with a nearly identical provision in Columbia Gulf Transmission Company's (Columbia Gulf) tariff,<sup>3</sup> the Commission found that section 25.5(e) of Columbia's tariff was unjust and unreasonable because it was too broad, too vague and gave the pipeline too much discretion to change gas quality standards without adequately protecting shippers. The Commission directed Columbia to revise section 25.5(e) consistent with its discussion. The Commission stated that section 25.5(e) would remain in effect until it found a new section 25.5(e) just and reasonable. The Commission found that Columbia must not use

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<sup>3</sup> *Indicated Shippers v. Columbia Gulf Transmission Company*, 106 FERC ¶ 61,040 (2004).

the flexibility afforded it under its tariff to impose what are, in effect, permanent gas quality specifications without including those standards in its tariff. The Commission stated that if Columbia wanted to impose a 4 percent nitrogen limitation or any other gas quality specifications it must explain the need for such provisions and support them with engineering and technical data.

### **Columbia's Filings**

4. On May 22, 2006, Columbia submitted two filings in response to the Commission's April 21, 2006 Order. In its compliance filing in Docket No. RP06-231-002, Columbia filed to revise section 25.5(e) of its tariff. Revised section 25.5(e) reads as follows:

Should the gas received by Transporter from any source ever fail to meet the above specifications, then Transporter may elect to either continue to receive gas or refuse to take all or any portion of such until the gas is brought into conformity with these specifications. Transporter reserves the right to impose revised and/or further quality specifications at any time should Transporter in its sole discretion, deem it necessary to protect the safety and/or integrity of its pipeline system, operations, merchantability of the gas or deliveries to other customers.

Columbia states that its revised tariff language is neither broad nor vague and limits Columbia's discretion to change its gas quality standards without adequate protections for shippers. Columbia states that its revised tariff language still provides Columbia with sufficient flexibility to act in a timely manner to protect its operational integrity and minimize equipment damage. Columbia asserts that its proposed revised tariff language is nearly identical to that which the Commission has approved for Columbia's affiliate, Crossroads Pipeline Company (Crossroads).<sup>4</sup> Columbia filed its revised section 25.5(e) as a *pro forma* tariff sheet and requests that the Commission not order the revision in the compliance filing to become effective until the Commission has accepted Columbia's section 4 filing.

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<sup>4</sup> See Crossroads GT&C section 25.4(a) accepted by the Commission in *Crossroads Pipeline Company*, 97 FERC ¶ 61,126 (2001).

5. In its section 4 filing in Docket No. RP06-365-000, Columbia filed tariff provisions that incorporate in its tariff most, but not all, of the long-standing gas quality specifications from its MSA.<sup>5</sup> Columbia proposes to retain its current language in section 25.5(a) of its tariff, with the addition of dust, gum, gum-forming constituents, and paraffin as non-exhaustive examples of particulates or other solid and liquid matter that are covered by section 25.5(a). Columbia proposes to adopt as section 25.5(b) the provision from its MSA that gas not contain more than 7 pounds of water vapor per million cubic feet of gas at a base pressure and temperature of 14.73 pounds per square inch absolute (psia) and 60 degrees Fahrenheit. Columbia proposes no changes to its existing hydrogen sulfide requirement in its tariff other than re-designating it as section 25.5(c).

6. Columbia proposes to adopt as section 25.5(d) the provision from its MSA that gas shall not contain more than 2 grains of sulfur per 100 standard cubic feet (gr/100scf). Columbia states this MSA requirement revises the 20 gr/100 scf total sulfur requirement presently contained in section 25.5(c) of Columbia's tariff. Columbia states that it is proposing a stricter sulfur requirement in order to protect its system from corrosion. Columbia proposes to adopt as section 25.5(e) the provision from its MSA that natural gas shall not contain more than 4 percent by volume of the combined total of carbon dioxide, nitrogen and inert components, *e.g.*, helium, argon, neon. Columbia states that it is proposing a 4 percent limit on total inerts to ensure the merchantability of gas. Columbia proposes to adopt as section 25.5(f) the provision from its MSA that natural gas shall not contain more than 1.25 percent by volume of carbon dioxide. Columbia is proposing this limit on carbon dioxide because, like sulfur, carbon dioxide contributes to corrosion. Columbia proposes to adopt as section 25.5(g) the provision from its MSA that natural gas not contain more than .02 percent by volume of oxygen. Columbia is proposing this limit because, like sulfur and carbon dioxide, oxygen in natural gas contributes to corrosion.

7. Columbia proposes to adopt as section 25.5(h) the provision from its MSA that gas tendered for delivery at receipt points shall not have a hydrocarbon dewpoint of greater than 25 degrees Fahrenheit. Columbia is adopting this provision to protect its system from hydrocarbon liquids fallout. Columbia proposes to adopt as section 25.5(i) the provision from its MSA that gas shall have a flowing temperature of no greater than 100 degrees Fahrenheit. Columbia proposes to adopt a new provision in its tariff in section 25.5(j) that natural gas shall not contain any microbiological organisms or bacteria capable of contributing to injury or interfering with Columbia's facilities.

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<sup>5</sup> Columbia states that it is not proposing to adopt the specific Wobbe requirement in its MSA.

8. Columbia has added a new section 25.6 to its tariff that requires gas delivered by Columbia to its shippers to be commercially free from objectionable particulates or other solid or liquid matter that might interfere with its merchantability or cause injury or interference with proper operation of lines, regulators, meters and gas handling equipment through which it flows. Finally, Columbia is proposing a new section 25.9 that permits Columbia to provide waivers of the gas quality standards it proposes. Columbia proposes to permit waivers on a not unduly discriminatory basis if gas delivered into the pipeline system will not affect Columbia's ability to maintain an acceptable gas quality in its pipeline and the waiver will not affect Columbia's ability to ensure adequate service to its customers. Columbia proposes to post any waivers of its gas quality standards on its electronic bulletin board.

9. Columbia provides two affidavits to support its filing. One affidavit provides detailed information regarding: (1) the physical and operational characteristics of Columbia's system; (2) the operational and engineering reasons supporting each gas quality specification; (3) the levels of sulfur, nitrogen, carbon dioxide and oxygen contained in gas at various locations on the Columbia system; and (4) a comparison of Columbia's proposed gas quality specifications to those approved by the Commission for other pipelines. Columbia's other affidavit discusses the corrosive side effects of sulfur, carbon dioxide, oxygen and microbes on pipeline facilities. Columbia also submits as an exhibit a Department of Transportation Advisory Bulletin addressing internal corrosion in gas transmission pipelines.

### **Public Notice, Interventions and Protests**

10. Public notice of Columbia's filing in Docket No. RP06-231-002 was issued on May 24, 2006, and public notice of Columbia's filing in Docket No. RP06-365-000 was issued on May 26, 2006. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2005)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2005)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties.

11. A number of parties filed comments or protests on both of Columbia's filings. With respect to Columbia's compliance filing in Docket No. RP06-231-002 to revise section 25.5(e) of Columbia's tariff, the protesters assert that Columbia's revised tariff provision is still too broad and vague and should be rejected as unjust and unreasonable. They contend that revised section 25.5(e) gives Columbia discretion to accept gas that does not conform to its gas quality specifications or to add additional gas quality specifications without any assurance that such actions will be done on a non-discriminatory basis.

12. A number of parties also filed comments on or protests to Columbia's filing in Docket No. RP06-365-000. The protesters assert that Columbia has not adequately supported the specific gas quality standards proposed and that they are unjust and unreasonable and should be rejected. The protesters argue that, at the very least, the tariff sheets should be suspended for five months and the matters at issue should be set for a hearing or technical conference. Among other things, the protesters contend that Columbia's proposed standards would undermine the Commission's policy of encouraging a cohesive national gas transportation grid. The parties assert that Columbia has failed to address the expected increase in liquefied natural gas (LNG) supply. They contend that Columbia should be required to adopt a Wobbe Index which is the better indicator of combustibility and merchantability. Protesters submit that Columbia's proposed changes inappropriately focus on receipt of gas rather than the delivery of gas. They contend that Columbia would have too much discretion in granting waivers of the gas quality specifications and that there is no requirement that Columbia evaluate the impact of a waiver on downstream entities. The protesters contend that Columbia's carbon dioxide standard is not supported by safety, operational or market concerns. They argue that the 4 percent limitation on inerts is not supported. Finally, they contend that the 25 degree Fahrenheit hydrocarbon dewpoint standard is too high and has not been supported.

### **Discussion**

13. The Commission has reviewed Columbia's filing in Docket No. RP06-365-000 as well as the protests in the proceeding and finds that Columbia's proposed gas quality specifications raise numerous technical, engineering and operational issues which are best addressed at a technical conference. At the conference, the Commission Staff and the parties to the proceedings will have the opportunity to further discuss Columbia's justification and support for the proposed gas quality specifications. Further, since Columbia's proposed revisions to section 25.5(e) of its tariff in Docket No. RP06-231-002 are related to the gas quality specifications, and a number of parties have asserted that revised section 25.5(e) is still too broad and vague, the Commission finds that it would also be appropriate to discuss revised section 25.5(e) at the technical conference.

14. Columbia should be prepared to address the concerns raised by the parties in this proceeding and, if necessary, to provide additional technical, engineering and operational support for its proposed gas quality specifications. Consistent with the Commission's Natural Gas Interchangeability Policy Statement in PL04-3-000, Columbia should be prepared to explain how its proposal differs from the Natural Gas Council Plus (NGC+) interim guidelines and provide a comparison in equivalent terms of its current and

proposed gas quality specifications and those of each interconnecting pipeline.<sup>6</sup> In addition, any party proposing alternatives to Columbia's proposal should also be prepared to support its position with adequate technical, engineering and operational information. Finally, based upon its analysis of the information provided in this proceeding, the Commission Staff may issue data requests prior to the technical conference or a notice of the technical conference may contain questions that need to be addressed by Columbia or other parties at the conference.

### **Suspension**

15. Based on a review of the filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the tariff sheets for filing, and suspend their effectiveness for the period set forth below, subject to the conditions in this order.

16. The Commission's policy regarding tariff filing suspensions is that filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards. *See, Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results. *See, Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (minimum suspension). Such circumstances do not exist here. Therefore, the Commission will accept and suspend the proposed tariff sheets until the earlier of a date set by subsequent Commission order or November 22, 2006, subject to the outcome of the technical conference established herein and further orders of the Commission. The Commission will defer action on Columbia's filing in Docket No. RP06-231-002 pending further consideration following the technical conference.

### **The Commission orders:**

(A) Fourth Revised Sheet No. 406 and Third Revised Sheet No. 407 to Columbia's FERC Gas Tariff, Second revised Volume No. 1 are accepted and suspended to be effective the earlier of a date set by a subsequent Commission order or November 22, 2006, and subject to the outcome of the technical conference established below.

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<sup>6</sup> Policy Statement at P 34 and 37.

(B) The Commission's staff is directed to convene a technical conference to address the issues raised by Columbia's filings and report the results of the conference to the Commission within 120 days of the issuance of this order.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.